

VZCZCXRO1071
PP RUEHAG RUEHROV RUEHSR
DE RUEHLO #2860/01 3191137
ZNY CCCCC ZZB
P 141137Z NOV 08
FM AMEMBASSY LONDON
TO RUEHC/SECSTATE WASHDC PRIORITY 0412
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHB/J/AMEMBASSY BEIJING PRIORITY 1081
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 LONDON 002860

SIPDIS
NOFORN

STATE/EEB: DAS NELSON, STATE/EEB/OMA: MARLENE SAKAUE, ALEX WHITTINGTON
TREASURY: MCCORMICK, BMURDEN, WMONROE, CCARNES

E.O. 12958: DECL: 11/14/2018
TAGS: [ECON](#) [EINV](#) [UK](#)

[¶1.](#) (C/NF) Summary: Coordinated stimulus measures to jump-start economies should be a main outcome of the G20 meeting, several prominent economists said.

[¶2.](#) (SBU) On November 12th, the Ambassador hosted an off-the-record luncheon with several of the UK's top economists and economic observers: F

What the Summit Needs to Achieve -----

[¶3.](#) (C/NF) Consumer markets are paralyzed; spending has stalled. The immediate response must be to re-inflate economies by providing direct credit.

[¶4.](#) (C/NF) The Summit should also lay the foundation for more radical reforms, they said. While the participants disagreed whether new institutions were needed,

The Causes -----

[¶5.](#) (C/NF) The rapid expansion of the credit market of the past decade - in the form of mortgages, consumer credit, etc - was the primary cause of the crisis.

[¶6.](#) (C/NF) While a slowdown was inevitable, a meltdown might not have been, said Green. However, the decision to not bail-out Lehman Bros accepted the risk of a wider collapse.

China - The Power Broker -----

[¶7.](#) (C/NF) Another contributing factor that has not garnered much attention is the role played by China. Its use of its surplus helped drive the global economy into recession.

[¶8.](#) (C/NF) China also holds a key to economic recovery. It can use its nearly \$2 trillion in reserves to stimulate its economy (as in its fiscal stimulus).

[¶9.](#) (C/NF) The Chinese are not the only ones who will demand a greater say in new financial rules and architecture. The November 15th Summit will be a key opportunity for the US to assert its influence.

Comment -----

[¶10.](#) (C/NF) The economists were universally multi-lateral in their beliefs, and argued quite convincingly that no government can solve the problem alone. They called for a collective effort.

TUTTLE